

PROGRAM REPORT

Contracts and Grants, Grant Program Update

With voter approval of Propositions 13, 40, and 50, statewide grant funding for water quality improvement projects has substantially increased—from an average of \$5-million per year in the 1990's to \$138-million during the most recent consolidated process. This increase has resulted in a corresponding increase in overall number of contracts and the level of management needed to ensure a smooth flow of grant funds to projects.

For Region 5, the increase in number of projects and the available grant funding can be summarized as follows: 7-projects awarded in Prop 13 Phase I (\$2.4-million); 35-projects awarded in Prop 13 Phase II (\$11-million); 7-projects from Prop 13 PRISM (Pesticide Research and Identification of Source, and Mitigation/\$3.4-million) Grants; and 45-projects recommended in the current Consolidated Grant Process (\$42-million) which involves funding from the Northern California Portion of Prop 13, the CalFed Drinking Water Program (Prop 13 and Prop 50) and the CalFed Watershed Protection Program (Prop 13 and Prop 50), . An additional \$200-million will be made available statewide this fall through the Agricultural Water Quality Grant Program which includes portions of Prop 40, Prop 50 and federal 319(h) funding (\$28-million) and the Integrated Regional Water Management (IRWM) Program portion of Prop 50 (\$183-million).

Staffing resources at Region 5 have not kept pace with the increased workload. Prior to adoption of Props 13, 40, and 50, approximately 0.1-PY was available through federal funding to develop and manage each federal 319(h) grant project. Current available resources for the state grant program only allows approximately 1/10 of that level of staffing or 0.01-PY to develop and manage each grant project (both new and existing). The resource limitation is magnified in part due to the increased number of projects as well as increased level of staff involvement in grant criteria development, stakeholder education and outreach, and overall statewide project selection and program coordination. In order to meet increasing workload commitments, resources from other programs (TMDL, agriculture, nonpoint source, CalFed) are being leveraged to assure adequate oversight of selected projects by qualified staff. In order to provide office wide consistency and oversight, a grant coordinator was recently designated for the region as well as key liaisons in each office.

Region 5 staff continues to work with Division of Financial Assistance (DFA) staff to streamline the grant process and shorten the timeframe from funding availability to project implementation. This streamlining included a significant change from requiring grant awards to be developed as a contract to now using a legally binding "agreement". This change should expedite execution. Additional means of streamlining the process are also being evaluated, including reducing duplicative agency roles and responsibilities.

The following summarizes the status of major grant programs within Region 5 to date.

Prop 13 Phase I: Seven projects were awarded in May 2001. All projects are in progress.

Prop 13 Phase II: Grants were awarded under this program in October 2002. Of the 35 awarded within Region 5, ten currently have executed contracts, five are within the Division of Administrative Services (DAS) awaiting final contract execution, seven are in the Office of Chief Counsel (OCC) under review as agreements, and 11 are with the grantee awaiting signature and return. Two additional projects are at other stages of preparation. All projects are in line to have funding encumbered by the June 30, 2004 deadline.

Prop 13 PRISM Grants: All seven grants awarded in July 2003 are in the process of being drafted as agreements. None of the projects are ready of OCC review however. DFA has set a goal of having all PRISM agreements to OCC for review prior to the 2003 Consolidated Grant Award anticipated at the June 17th State Board hearing. This schedule should allow work to commence during Fall 2004.

2003 Consolidated Grant Process: Recommendations for 45-projects within the Central Valley will be reviewed at the State Board's June 17th hearing. Work on approved projects is anticipated to begin by the end of 2004. These projects primarily support the CalFed Drinking Water and Watershed Programs.

Agriculture Water Quality Grant Program (AWQGP): Approximately \$20-million have been set aside from Propositions 40 and 50 for water quality improvement projects related to irrigated agriculture. The AWQGP Workgroup (comprised of staff from the State and Regional Boards, Dept. of Food and Agriculture, Dept. of Pesticide Regulation, and UC Davis) have incorporated stakeholder input from the three public workshops held in early March and developed draft guidelines for the distribution of the funds. Approximately \$6-million of Clean Water Act section 319(h) funds may be combined with the proposition funds for this program. The State Board is working with the U.S. EPA on issues related to the addition of these funds. Additionally, the CALFED Drinking Water (DW) Program approached the State Board suggesting the possibility of combining approximate \$2.2-million uncommitted CALFED DW funds from the 2003 Consolidated Grants with the AWQGP funds. The State Board is working with CALFED on the details of how the program would be implemented with regard to criteria, project review and ranking, and Bay-Delta Authority (BDA) approval. These factors have delayed the completion and release of the draft guidelines to the public. It is estimated that the guidelines will be released to the public during mid-May, and public workshops will be held in early June. Information on the AWQGP can be accessed on the State Board website at: <http://www.swrcb.ca.gov/funding/awqgp/index.html>.

Integrated Regional Water Management (IRWM) Grant Program: Funded by Proposition 50, Chapter 8, the IRWM provides \$500 million for competitive grants for projects to protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. Funding for the IRWM program is split between the Department of Water

Resources (DWR) and the State Board. The agencies will utilize a joint application process for awarding grants. DWR and the State Board held public workshops on 24 March 2004 in Sacramento, and on 25 March 2004 in Santa Clarita, to gather input on the IRWM Grant Program, including scoping of procedures and content of the grant solicitation and evaluation guidelines. Draft evaluation guidelines are being developed by a workgroup comprised of DWR and State Board staff. Regional Board grant coordinators will have the opportunity to review and provide comments on the draft evaluation guidelines. Posting of the draft evaluation guidelines on DWR/SRWCB web-sites for a 30-day public review is targeted for July 2004; public meetings in northern and southern California are targeted for August 2004; and approval of the evaluation guidelines and grant application package by DWR and the State Board is targeted for completion by September 2004. Eligible applicants include local public agencies and non-profit organizations, and projects must be consistent with an approved IRWM Plan that meets standards being developed by DWR. A 40%/40% split of the funds is required between Northern and Southern California. The funds are allocated between DWR and SWRCB as follows:

| | DWR | SWRCB |
|---|----------------------|----------------------|
| Total Funds Available | \$250,000,000 | \$250,000,000 |
| Program Delivery (5%) | -\$12,500,000 | -\$12,500,000 |
| Bond Issuance/Statewide Costs (3.5%) | -\$8,750,000 | -\$8,750,000 |
| FY 02-03 Fund Shift – Governor's Drought Program ¹ | -\$6,400,000 | \$0 |
| Groundwater Recharge Grants ² | -\$20,000,000 | \$0 |
| Comprehensive Groundwater Monitoring Program | \$0 | -\$45,750,000 |
| Total Funds Available for IRWM Grants – by Agency | \$202,350,000 | \$183,000,000 |
| Total Funds Available for IRWM Grants | \$381,100,000 | |

- 1) Funds awarded for Local Groundwater Assistance Grants.
- 2) \$10 million committed in January 2004.